

Port Authority Meeting #4  
Tuesday, May 6, 2014, 5:15 p.m.  
1800 West Old Shakopee Road  
Bloomington, Minnesota 55431-3027

**Item #1**  
**Call to Order**

President Erickson called the Port Authority meeting to order at 5:15 p.m.

*Port Authority Present:* Commissioners R. Erickson, T. Busse, C. Carey (arrived at 5:22p), C. Hunt, T. Keller, R. Lunz, and G Winstead

*Port Authority Absent:* none

*Staff:* Schane Rudlang, Port Authority Administrator  
Becky Schindler, Port Authority Development Specialist

*Also Present:* Julie Eddington, General Counsel  
David Peters, Terratron Inc.

**Item #2**  
**Alpha Business Center**  
**Amendment #2 to**  
**Purchase and**  
**Redevelopment**  
**Agreement**

Rudlang stated that this should be the final amendment to the purchase and redevelopment contract with the closing following shortly after this approval. He explained that the amendment will put the property into a 1031 Improvement Exchange. This allows a property owner to defer capital gains taxes on one sold property if that same property owner invests the proceeds of the sale into a like-kind second asset. The 1031 process does require that the property be temporarily held by a third party, not affiliated with the developer, the Purchase and Redevelopment Agreement needs to be modified to allow this. Rudlang also noted that in order to avoid any additional risk to the City or Port, the developer will provide a personal guaranty. The developer's assets were reviewed by Springsted Inc. to ensure that the personal guaranty is sufficient.

Rudlang introduced the developer, David Peters of Terratron. Peters gave a quick overview of his company, the Alpha A development and the 1031 process. He explained that general contractor bids for Alpha A will be in very soon with construction beginning so after.

Lunz asked about the number of rooms. Peters stated that is a TownPlace by Marriott with 118 rooms. Busse questioned if Terratron has done a 1031 exchange before. Peters replied, that they have not done an Improvement Exchange before, but have done 1031s, which are more typical, exchanging like for like. Erickson noted that the Port Authority has not done a 1031, but they are a standard, common practice that has been on the federal tax code for a long time.

Hunt questioned the language on the agreement where is stated limited guaranty verses personal guaranty. Eddington explained that the guarantee was specifically designed to cover the period in which the property was in the exchange, which is why it is a limited. It is a personal guaranty, but limited to the 180 day period. Eddington noted that she has been involved with many conduit bonds that have this sort of exchange and lenders have been perfectly comfortable with this arrangement. M/Hunt, S/Carey, to approve Amendment #2 to the Purchase and Redevelopment Agreement (including the Personal Guaranty) for the Alpha A Parcel substantially in the form attached. Motion carried 7-0.

Rudlang explained that Terratron has a contract for Alpha A and the RFP allows for the Port to work with Terratron on Alpha B. Peters stated that Terratron has a close relationship with Marriott and both would like to have a more proactive development mode together. AC Hotels is a Marriott brand bringing from Spain and Portugal, so sharing the South Loop vision has the potential to work on Alpha B. After successfully getting through the process on Alpha A, we started working on a site plan for Alpha B. There are talks with additional hotel owners on

possibilities. Peters said the construction cranes will start people thinking about what could be, along with the street improvements. Peters reviewed different things that Terratron is exploring and challenges they are facing.

Peters gave a brief history of Terratron and how it's grown to the development company of today.

**Item #3**  
**Other Business**

Rudlang updated the board on a construction accident on the Mall of America west parking ramp retaining wall today. The contractor for Lindau Lane was excavating to expose a water main next to the Mall of America west deck. Part of the abutment that leads up to the west deck, one of those retaining walls fell into the excavation. He noted there were no injuries, but is damage to the retaining wall. Public Works and the contractor are working to find out what caused the failure and who's at fault.

**Adjournment**

The Port Authority meeting was adjourned at 5:46 p.m.

Carolyn Lane  
Minutes Secretary